

RE·CM



RECM AND CALIBRE LIMITED

INTEGRATED REPORT

2013

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COMPANY PROFILE

RECM and Calibre Limited ("RAC") was founded in 2010 as a joint venture between Regarding Capital Management Proprietary Limited ("RECM") (a fund manager) and Calibre Capital Proprietary Limited (a private equity firm). Both RECM and Calibre are controlled by the same principals, namely Theunis De Bruyn and Piet Viljoen.

INVESTMENT OBJECTIVE

RAC makes long-term investments, with the objective of generating high real returns. This will be achieved through the acquisition of assets where size, liquidity, regulations or complexity act as a deterrent to most buyers. The aim is to follow two strategies:

1. To buy minority stakes in undervalued publicly-listed companies; and
2. To buy influential ownership stakes in private businesses and to partner with existing management to grow the value of the business.

RISK MANAGEMENT

RAC believes the best way to manage risk is to build a large margin of safety into the price paid when assets are acquired. Such a margin of safety may consist of a price far below intrinsic value or alternatively, it may reside in the high quality nature of the asset acquired. The quality of an asset is normally determined by factors including significant barriers to entry, the sustainability of these barriers and good management.

INVESTMENT UNIVERSE

RAC has a very broad investment universe, and is able to invest in any asset (public or private) in any geography (onshore or offshore). We believe our broad universe to be a significant competitive edge. However, we will stick to areas in which we have a high level of competence in analysing the situation.

STRUCTURE

RAC has been funded through the issue of two types of securities, ordinary shares and variable rate preference shares. The ordinary shares are unlisted, while the preference shares are listed on the JSE. The economic interests of the ordinary and preference shares are exactly the same, although only the ordinary shares have voting power (except in certain special situations, which are more fully explained in the pre-listing statement which is available on our website at www.racltd.co.za).

INVESTMENT MANAGEMENT

The investment management function of RAC has been outsourced to RECM. RECM was appointed with a fully discretionary mandate prior to listing and continues to act in that capacity to date. RAC is a long-term investment company and as all operational and administrative functions have been outsourced to RECM, RAC does not employ any staff.

RECM thus performs:

1. An investment management function for RAC in a similar fashion to that offered to its other clients, and according to RAC's specific mandate; and
2. Administrative and accounting functions on behalf of RAC.

All remaining content of this report should be read in this context. For the avoidance of doubt, where any reference is made to a function performed by the Company, other than a function performed by the Board of the Company itself, it should be read and understood that that function was performed by RECM in terms of its mandate as described above.

BOARD OF DIRECTORS

Pieter Gerhardt VILJOEN (50)

Executive Chairman

BCom (Hons), CFA

Appointed: 24 June 2009

Mr Viljoen started out as a lecturer at the University of Pretoria, and subsequently joined SARB as an economic analyst. He joined Allan Gray Investment Counsel in 1991 as a portfolio manager and later moved onto Investec Asset Management in 1995. He founded Regarding Capital Management (Pty) Ltd in 2003 and is currently Chairman of RECM.

Matthys Vernon Pedron DAVIS (64)

Independent Non-Executive Director

BSc, BEng, MEng

Appointed: 10 November 2010

Mr Davis worked in the engineering industry for various companies from 1973 eventually being appointed as Marketing Director for Reunert and Reumech in 1990 where he stayed until 1995. He was appointed Managing Director for KWW International in 1996 remaining with the company until 2003. In 2004 he joined the Spier Group as CEO. He retired from the Spier Group in 2009.

Theunis DE BRUYN (45)

Executive Director

CA(SA)

Appointed: 24 June 2009

After serving articles at Ernst & Young, Mr de Bruyn joined Ford SA as assistant treasurer. From there he joined Huysamer Stals stockbroking firm (thereafter sold to ABN AMRO) where he later headed up research. Mr de Bruyn is the founder and managing director of Calibre Capital (Pty) Ltd.

Gerrit PRETORIUS (65)

Independent Non-Executive Director

BSc, BEng, LLB, PMD

Appointed: 1 November 2009

A graduate in electrical engineering and law, Mr Pretorius essentially spent his entire working career at Reunert. In 1997 he was appointed as CEO of Reunert Ltd. He retired in August 2010.

Johannes Gerhardus**SWIEGERS** (58)

Independent Non-Executive Director

Hons BAcc, BCom (Hons) (Taxation), CA(SA)

Appointed: 10 November 2010

After qualifying as a chartered accountant, Mr Swiegers has served as a partner of the predecessor firms of PricewaterhouseCoopers from 1984 to 1994 setting up the tax practice of the firm in the Western Cape. He joined Remgro Ltd as Investment Manager, serving on various Boards and Audit Committees of listed and unlisted companies in the portfolio of Remgro Ltd. He served as CFO for Mediclinic International Ltd from 1999 to 2010.

Post-reporting date changes:**Johannes Cornelis****VAN NIEKERK** (38)

Financial Director

Hons BCom (Maths), FIA, CFA

Appointed: 6 May 2013

Mr van Niekerk has over 16 years of industry experience, having served as Chief Investment Officer of Citadel, a large South African private client wealth manager with a broad international reach, after which he became CEO of Peregrine Holdings, a JSE listed financial services firm. Mr van Niekerk joined Regarding Capital Management (Pty) Ltd in April 2013 as Chief Executive Officer.

Lonn POTGIETER (56)

Financial Director

BCom, Dip Acc, CA(SA)

Appointed: 2 March 2011

Resigned: 6 May 2013

After completing articles with Goldby, Compton and McKelvie (now Deloitte), Mr Potgieter worked for a short time in manufacturing before joining the financial services industry in 1986. Since then he has worked in private banking and asset management for Rand Natal Trust Company, Board of Executors, ABSA Group and Regarding Capital Management (Pty) Ltd.

CHAIRMAN'S REPORT

To my fellow shareholders of RECM and Calibre ("RAC")

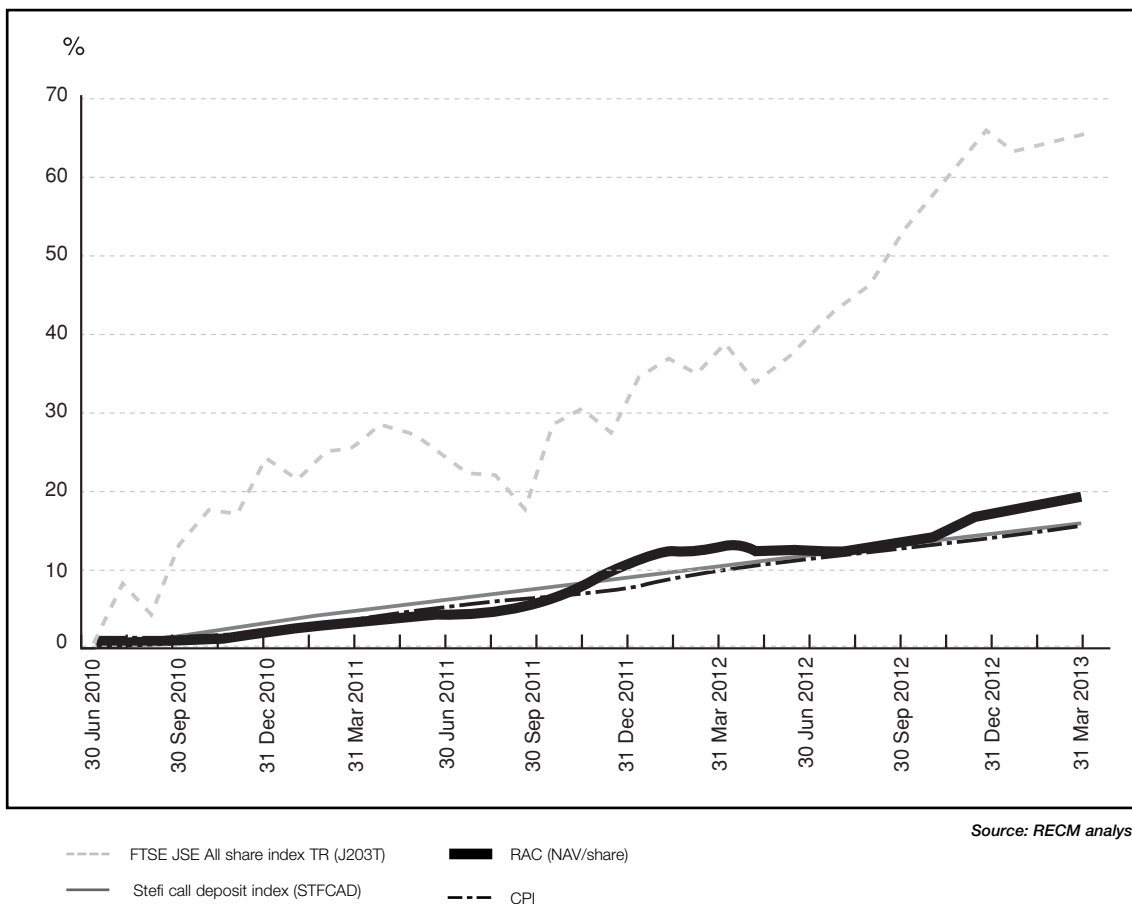
During the course of the year, I accepted primary investment responsibility for RAC. The Chairman's report will therefore from now on be combined with the investment manager's report.

During the year under review, the Net Asset Value of our company increased by 6,4% to R11,83 per share. Since we listed, in May 2010, our Net Asset Value per share has grown by 6,5% per annum.

Our job is to generate returns that beat inflation, cash rates, as well as the return generated by the average South African listed company. We aim to do so by investing in and partnering with good businesses globally, whether listed or unlisted. One of our important competitive advantages is that our co-investors have entrusted us with a permanent capital base. This has two benefits: we can take genuinely long-term views, without the fear of investors' withdrawals influencing our decision-making process, and we can act as a genuine long term partner to our investee companies.

The following chart shows our progression against our stated benchmarks since inception. We have beaten cash and inflation – i.e. your capital is worth more in real terms since we started looking after it – but we are way behind the returns generated by the average listed company.

RAC NAV/Share percentage growth since inception relative to FTSE JSE All share index, Stefi call deposit index and CPI



CHAIRMAN'S REPORT

continued

The main reason we have lagged returns available from the equity market is the slow pace at which we have invested our shareholders' capital, despite the advantage of having permanent capital. Being a large shareholder myself, I share in the frustration caused by our lack of success in finding the right investments. As a reminder, for an investment to be "right" for us, it needs to satisfy all of the following criteria:

1. The target business must be a good one (more on this later);
2. The management of the target business must engender trust with us, and vice versa; and
3. The price we pay for the business must be reasonable.

Meatloaf had a famous song (well, famous in my day) called "Two out of three ain't bad". For us that is not enough – we need all three criteria present to even consider a transaction. And so far, we have struggled to find many opportunities where there is a clear fit. But we are patient. We will not invest just for the sake of deploying capital and deflecting criticism.

We have no doubt that we will close and then significantly reverse this investment performance gap as opportunities emerge that satisfy all of our criteria. For us the incentive is very clear – if we cannot deliver significant returns over time, we do not deserve to be entrusted with a permanent capital base.

PORTFOLIO COMMENTARY

During the past year, we increased the invested position of RAC to 53% of our investable capital base. We have reduced the number of holdings from 23 to 21, but increased the size of our stake in a number of holdings – in some cases substantially. This is in line with our aim of becoming shareholders of reference in our chosen investee companies.

We continue to await the resolution of the Namaqualand Mines transaction, as negotiations to finalize the exact terms of the investment have not yet been concluded.

The 53% of our capital that has been invested is deployed – with one notable exception - in a group of stocks that are either traded on the stock exchange, or over the counter. We call this our "frog portfolio". Basically, we think we might uncover a few princesses if we kiss enough frogs. We have done our fair share of frog kissing over the past few years, and it turns out we have uncovered some princesses-in-waiting. We have consciously become more focused on these, and as a result, our top 7 holdings now make up 60% of our total investment. We hope to get to know these 7 even better over the next few years. Through this process, we will look to increase our stake even further in those princesses who turn out to be more beautiful than we think they currently are.

Taken together, our current portfolio of minority stakes in different businesses is shaping up as a fairly robust grouping. We regard robustness as an important factor in managing risk. As we – like *everyone* else – don't know what the future holds, trying to manage risk by guessing what might happen is not a sensible process. Such a process is commonly known as "forecasting". In our view, a robust portfolio is a much more practical way of managing risk. Robustness is found along two axes: firstly, the margin of safety when we buy a share in a business, and secondly the nature of the underlying business in which we have purchased our part ownership stake.

The first element of robustness, the margin of safety, can be explained as the difference between the price we pay to acquire the part ownership stake, and the intrinsic value of the business. This distinction between price and value is an important one. The business environment today is a tough one. Growth is slow and hard to come by, the regulatory landscape gets more constrictive as time goes by and social friction is becoming a real factor in our day-to-day lives. So while we, along with the management of our investee companies believe in a bright future, we consider it our fiduciary responsibility to manage the downside. By paying less than full value for an asset we can, to a certain extent, protect our shareholders from losses if something should go wrong.

The second element of robustness lies in the nature of the businesses we own. As mentioned, we prefer to own shares in "good" companies. Our definition of "good" includes the following: the company is well managed and it sells goods that its customers actually want and for which they do not mind paying. The possession of barriers to entry is another aspect of a good company. Barriers protect companies against undue competition, and allow them to earn above average profitability on a sustainable basis. Such barriers can exist in the form of branding, licensing, regulation, network effects, sticky customers and localised monopolies.

CHAIRMAN'S REPORT

continued

All these factors together help make the portfolio of business interests we own robust against economic or political headwinds. In coming years, one of our most important jobs will be to continually increase the robustness of this portfolio of businesses we own. We aim to do so by providing advice where needed, capital where sensible, increasing our ownership of existing investee companies and, importantly, by adding stakes in additional companies to the portfolio. We will not attempt to "add value" by telling the management of our investee companies on how they should manage their business. That lies far outside our circle of competence.

The exception to our robust portfolio of minority positions is a partnership interest in a business that buys single family residential units (houses) in Southeast USA, with the aim of renting them out. For various reasons over the past few years, houses in the USA have become very cheap. To give an idea of how cheap this asset class has become, one could buy perfectly good middle class houses in nice areas for less than it would cost to build the house – and the land was free! An alternative measure of cheapness was an initial gross rental yield in the region of 15% to 20%.

When one believes an asset to be undervalued, it always helps to understand why such a situation would exist. In the case of US residential housing one had the classic situation of forced, non-price sensitive selling combined with a lack of natural buyers. The selling came from banks, which had already written down the houses' value to zero, and just wanted to get them off their books. On the other hand, potential buyers were constrained due to a combination of a poor credit history, and bank insistence on large (i.e. unaffordable) deposits at his stage of the credit cycle. The old saying that banks only have umbrellas for their clients when the sun shines remains true, even in today's era of so-called sophisticated banking "risk management". Yet the same people who cannot qualify for mortgage loans, have jobs and can easily afford to rent.

In short, US residential housing looked like a wonderful investment opportunity for RAC. Buying and managing individual houses was obviously not practical for us. Fortunately, we found a good partner in Aaron Edelheit and his company The American Home. They have managed to raise, and invest, almost \$200 million in residential housing. RAC has allocated 5% of its capital to this opportunity.

Early signs are that the US housing market has turned for the better. We still carry this investment at book value (in US\$) as we await the audited financials for their 31 March 2013 year end.

Over the past year, we have exited 4 positions. The biggest sale, Dorbyl, was a stock we should never have bought in the first place. We made a handsome profit on its sale, but it is a profit that left us disappointed. We are not asset strippers and we had plans to use the company's cash flows to build it into a good business. Despite our best efforts we could not turn the business around. Auditors have, as yet, not come up with a way of accounting for heartache, disappointment and time wasted. If they did, our accounts would show that the transaction in Dorbyl generated a negative return.

Overall, our sales generated a combined return of 20% on the capital invested. Not too bad for what were, without exception, mistakes, but far too little to make us feel better about them.

PORTFOLIO VALUATION METRICS

The book value of RAC's non-cash investments comes to R262,8 million while the market value of these investment stood at R322,3 million as at year end.

At year end, the asset allocation of RAC's investment portfolio was as follows:

| | |
|------------------------------------|-------|
| Local listed and unlisted equities | 48,0% |
| Foreign unlisted investments | 5,3% |
| Cash and money market deposits | 46,7% |

CHAIRMAN'S REPORT

continued

Included in the cash and money market investments line is a balance of R91,2 million earmarked for the funding of RAC's interest in the Namaqualand Mines transaction. If this balance were included as an equity investment, it would raise the invested portion of the portfolio to 68,6%

As discussed, we managed to accelerate (off a very low base) our deployment of capital into a select number of attractively priced investments during the course of the year. Importantly, in order to protect our listed investment opportunity set from competition, we generally refrain from disclosing details about our holdings until such a time as we have completed an ownership cycle (i.e. buy, hold and sell)

At year-end the investments in RAC's portfolio were priced at about 64% of our estimate of fair value. Last year we reported a 68% price to fair value. From these numbers it is apparent that we have been able to deploy additional capital into very well priced assets over the past year. We hope this opportunity continues to be available in the year to come.

We present the table below to show some of the salient valuation features of our portfolio:

| | March 2013 | March 2012 |
|-----------------------------------|------------|------------|
| Enterprise Value/Sales | 1,3 | 0,4 |
| Enterprise Value/Operating profit | 6,7 | 9,0 |
| Price/Earnings | 12,7 | 17,5 |
| Price/Net Asset Value | 1,0 | 0,6 |
| Price/Net Tangible Asset Value | 1,4 | 0,8 |

At first glance it seems as if valuation metrics for the portfolio have deteriorated (i.e. become more expensive) yet we think on the whole, the portfolio is priced better than a year ago. The reason for this is that the quality of what we own has improved. We own fewer loss making businesses, which has improved the earnings multiples (EV/operating profit and P/E), and returns on equity are better, which explains why the businesses trade at a higher multiple to asset values.

The board continues to recommend that no dividend be paid, in order to maximize the capital available for future investment. Although, as stated, our progress has been slow, the old saying "it never rains, but it pours" is often applicable in the investment world. We aim to be ready when it pours.

PROSPECTS

As of the time of writing this report, global markets continue to digest a problem, which came to light during the global financial crisis in 2008 – too much debt. A large portion of this debt has now migrated from private balance sheets to the balance sheets of governments. In so doing, governments worldwide are becoming more interventionist in order to ameliorate their own debt levels. We think the ramifications for the private sector in this regard are significant.

Overall, we continue to think that markets are much too sanguine about how economies will cope with the very high debt levels they are carrying. I hope to be able to continue to report on the robustness of our own investee businesses in this environment. As low interest rates distort pricing and authorities globally exert more control over capital (mainly in the form of a tighter bureaucratic and regulatory environment) we have no doubt that attractive buying opportunities will develop. I look forward to reporting increased commitment to the market and lower cash levels as this unfolds.

Of course you can help us in this regard. If you know of, or own, a business that is for sale, please contact us. In the interests of saving time the proposition should satisfy the following criteria:

1. It must have at least three years' audited financial statements;
2. The business should be profitable;
3. The seller should have a price in mind; and
4. The sales process should not be an auction.

If your business fulfills these conditions, we would like nothing more than hearing from you. We can guarantee that you will receive a very quick answer.

CHAIRMAN'S REPORT

continued

HOUSEKEEPING

During the course of the year Werner Stals resigned as director of the company. He was not replaced. Post year-end, Lonn Potgieter resigned as CFO and Director. Jan van Niekerk has subsequently joined the board of RAC. Jan joined RAC's asset manager, RE:CM, as CEO in April 2013. I welcome Jan to the board, and thank Lonn for his sterling services over the past few years. Jan will take on an executive role as well as the responsibility of CFO for RAC.

In replacing Werner Stals, Jan has joined Theunis de Bruyn and myself as significant shareholders in the ordinary shares of RAC. He is putting a substantial amount of his own money where his mouth is – a very rare thing in financial markets. One of our strongly held views is that owners create more long term value than hired guns, which is why we do not encourage the use of options as an incentive mechanism in our investee companies. At RE:CM, we do not use them at all. Jan is now a true owner, and therefore partner in the business. We look forward to his contribution to the growth of RAC.

CHAIRMAN'S MEETING WITH SHAREHOLDERS

RAC has two classes of shares; ordinary and preference. Both have exactly the same economic rights, but the ordinary shares are not listed. The ordinary shares control the Company, and have all the voting rights in the normal course of business. Preference shareholders, whose shares are listed, can vote in two instances: firstly, if any declared dividends remain unpaid for six months or longer; or secondly, if any resolution is proposed that will affect their rights. This is more fully discussed in the Memorandum of Incorporation, which are available upon request. As there are no plans in this regard, only ordinary shareholders will be able to attend and vote at the annual general meeting of the Company.

We plan to hold a Chairman's meeting for ordinary and preference shareholders, immediately following the conclusion of the annual general meeting. At this meeting, the investment operations of RAC will be discussed, and there will be an opportunity for as many questions as you like. We encourage all preference shareholders to attend this meeting. There is an invitation enclosed with this annual report and we would appreciate it if you could let us know if you will be attending. Last year our boardroom was almost full; this year we might have to move to a bigger venue. If so, we will let all attendees know well in advance.



Executive Chairman

21 June 2013

CORPORATE GOVERNANCE

RAC continues to, and will always, be committed to the highest standards of corporate governance. RAC has no employees and all of its investment and operational functions are performed by RECM.

The Board of Directors supports the King III Report on Corporate Governance ("King III" or the "King Code"). Good corporate governance is an integral part of RAC's business (and investment) philosophy. The values espoused in this philosophy will govern the way in which RAC interacts with all its stakeholders and stresses the importance of good corporate citizenship, integrity, transparency and accountability. Accordingly, RAC aims to comply with the provisions and the spirit of the King Code to the extent that these are practical and appropriate. RAC has published a register on its website (www.racltd.co.za), which covers the principles of the King Code and provides a narrative statement as to how each principle has been applied or why and to what extent a particular principle has not been applied.

BOARD OF DIRECTORS

RAC has a unitary board. RAC has an Executive Chairman, PG Viljoen. Despite the requirements of King III, the Board is of the view that Mr Viljoen is best placed to lead the company. G Pretorius continues as Lead Independent Director who will, *inter alia*, provide leadership to the Board should the Chairman have a conflict of interest.

As of 31 March 2013, the Board of RAC comprised six directors with an appropriate balance of executive and non-executive directors. The directors are individuals of the highest calibre and credibility, and have the necessary skills and experience to make a meaningful contribution to the business of the company. On 7 November 2012, W Stals resigned as a director. On 6 May 2013, L Potgieter resigned as Financial Director and JC van Niekerk was appointed as Financial Director.

Ongoing education ensures that directors are kept informed of industry developments and international best practices. Upon appointment, the staff of RECM provide an introductory programme to all independent non-executive directors. The aim of the programme is to acquaint the directors with a detailed understanding of the roles, operations and regulatory framework in existence within RECM so that they may better understand the manner in which the investment portfolio of the Company is being managed.

The Nomination and Remuneration Committee currently comprises PG Viljoen and G Pretorius. The Nomination and Remuneration Committee considers and recommends future appointments to the Board. Despite the fact that the Company has no employees, this Committee considers remuneration matters pertaining to independent non-executive directors. Independent non-executive directors are entitled to receive fees for their services as directors of the Board and for other services as disclosed.

The directors have a duty and responsibility to ensure that the principles set out in King III are observed as are practical and appropriate. The directors have a fiduciary duty to act in good faith, with due diligence and care and in the best interests of the Company and all stakeholders. The Board of Directors accepts these duties and responsibilities.

During the year under review four meetings were held.

| Name of member | 23 April 2012 | 18 June 2012 | 7 November 2012 | 7 March 2013 |
|-----------------------------------|------------------|-----------------|--------------------|-----------------|
| Mr PG Viljoen (<i>Chairman</i>) | Present | Present | Present | Present |
| Mr MVP Davis | – | – | Present | Present |
| Mr T de Bruyn | Present | Present | Present | Present |
| Mr L Potgieter | Present | Present | Present | Present |
| Mr G Pretorius | Present | Present | Present | – |
| Mr W Stals | Present | Present | – | N/A |
| Mr JG Swiegers | Present | Present | Present | Present |

The Company Secretary and other persons attend meetings of the Board by invitation.

CORPORATE GOVERNANCE

continued

ETHICAL PERFORMANCE

The directors have considered their individual and collective ethical performance and are satisfied that they have acted in an appropriate manner in regard to the business of RAC. No independent assurance as to ethical performance has been undertaken and no independent opinion in this regard has been expressed.

INTERNAL CONTROLS

Based on the results of the formal documented review of the internal controls in existence and system of risk management within RECM, including the design, implementation and effectiveness of the internal financial controls and considering information and explanations given by management of RECM and discussions with the external auditor on the results of the audit, assessed by the Audit and Risk Committee, nothing has come to the attention of the Board that caused it to believe that the Company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

The successful completion of an ISAE 3402 examination process, performed by Ernst & Young Inc. on the operational procedures and controls related to Asset Management and Operations activities, is further evidence of the rigor to which RECM subjects their internal risk processes and related controls. The Type II opinion, issued by Ernst & Young Inc., confirmed not only the fairness of the description and suitability of design of internal controls but also their operating effectiveness in the examination period.

AUDIT AND RISK COMMITTEE

The Company has an Audit and Risk Committee comprising independent non-executive directors, JG Swiegers (*Chairman*), G Pretorius and MVP Davis. A detailed report by the Audit and Risk Committee follows.

NOMINATION AND REMUNERATION COMMITTEE

This Committee, comprising PG Viljoen and G Pretorius, met twice prior to the end of the financial year. The Committee has proposed the payment of directors fees as follows:

| | For 2014 year | For 2013 year |
|-------------------------------------|---------------|---------------|
| Non-executive director | R | R |
| Board member | 114 480 | 108 000 |
| Chairman – Audit and Risk Committee | 57 240 | 54 000 |

These fees were subject to the approval of the shareholders at the annual general meeting, and were so approved. As stated on page 1, the Company does not employ any staff. As such the Company has no need for any form of executive remuneration, share incentive scheme or any form of staff performance management programme. Directors' fees are only payable to independent non-executive directors as detailed above.

GOING CONCERN

After making due enquiries and considering future cash flow requirements, the directors expect that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, the financial statements have been prepared on the going concern basis.

CORPORATE GOVERNANCE

continued

COMPANY SECRETARY AND PROFESSIONAL ADVICE

All directors have unlimited access to the services of the Company Secretary, who in turn has access to appropriate resources within RECM in the provision of this support. During the financial year, the Board assessed the performance of the Company Secretary and remains satisfied as to the experience and expertise of the Company Secretary.

All directors are also entitled to seek independent professional advice with regard to the affairs of the Company.

AUDITOR INDEPENDENCE

The financial statements have been audited by the independent auditors, BDO South Africa Incorporated. The Board, supported by the Audit and Risk Committee, has no reason to believe that BDO South Africa Incorporated has not at all times acted with unimpaired independence. During the current financial year the external auditors were remunerated as per Note 19 of the annual financial statements which details amounts paid to the external auditors for audit and non-audit services.

SHAREHOLDING

As at 31 March 2013, five million ordinary shares were in issue. Other than six ordinary shares held directly or indirectly in equal number by Messrs de Bruyn, Stals and Viljoen, the ordinary shareholding previously held by Regarding Capital Management (Pty) Ltd and Calibre Capital (Pty) Ltd has been unbundled and the beneficial interests as at 31 March 2013 were split as shown below. The Company also had 45 million preference shares in issue.

Shareholders with beneficial interests of 3% or greater are listed below:

| Beneficial shareholder name | 2013 | | 2012 | |
|---|-----------|-------|-----------|------|
| | Number | % | Number | % |
| Ordinary shares | | | | |
| Nicholas Viljoen Trust | 1 749 623 | 34,99 | 1 | 0,00 |
| Theunis de Bruyn Family Trust | 1 520 571 | 30,41 | 1 | 0,00 |
| Werner & Susan Stals Trust | 1 520 570 | 30,41 | 1 | 0,00 |
| Regarding Capital Management (Pty) Ltd | – | – | 2 499 997 | 49,9 |
| Calibre Capital (Pty) Ltd | – | – | 2 499 997 | 49,9 |
| Preference shares | | | | |
| SBSA ITF Nedgroup Investment Managed Fund | 4 500 000 | 10,0 | 4 500 000 | 10,0 |
| Stella Trust V | 4 500 000 | 8,9 | 5 000 000 | 11,1 |
| SBSA ITF Nedgroup Investment Stable Fund | 3 500 000 | 7,8 | 3 500 000 | 7,8 |
| Coronation Capital Plus Fund | 3 147 560 | 7,0 | 3 097 360 | 6,9 |
| Corolife Absolute Portfolio Habsol | 1 521 380 | 3,4 | 1 521 380 | 3,4 |

Public shareholders analysis

| Security holders analysis | 2013 | | 2012 | |
|---------------------------|--------|--------|--------|--------|
| | Number | % | Number | % |
| Ordinary shares | | | | |
| Public | – | – | – | – |
| Non-public | 12 | 100,00 | 8 | 100,00 |
| Preference shares | | | | |
| Public | 462 | 78,79 | 422 | 77,1 |
| Non-public | 10 | 21,21 | 9 | 22,9 |

CORPORATE GOVERNANCE

continued

ANNUAL GENERAL MEETING

The agenda for the annual general meeting is set by the Company Secretary and communicated to all shareholders in the notice of the annual general meeting, which accompanies the Integrated Report. Consequently, the notice of the annual general meeting is distributed well in advance of the meeting and affords all shareholders sufficient time to acquaint themselves with the effects of any proposed resolutions. Adequate time is also provided by the Chairman in the annual general meeting for the discussion of any proposed resolutions. The conduct of a poll to decide on any proposed resolutions is controlled by the Chairman at the meeting and takes account of the votes of all shareholders, whether present in person or by proxy.

In terms of the Memorandum of Incorporation of the Company the Preference Shareholders are not entitled to be present at the meeting unless there are preference share dividends which remain unpaid for a period of six months or a resolution is proposed which directly affects the rights attached to the preference shares or the interests of the preference shareholders. As mentioned on page 7, there is a Chairman's Meeting for preference shareholders.

The designated auditor of the Company attends the annual general meeting to respond to any questions relevant to the audit of the financial statements.

SUSTAINABILITY

RECM is the investment manager for the investment portfolio of the Company and adheres to the "Code for Responsible Investing in South Africa" (CRISA). RECM conducts its affairs against a decision-making framework that evaluates the significant and relevant aspects of an investment, before making a decision. These would include considering the risk of permanent capital loss by evaluating the legality of the affairs of the venture, including social and environmental aspects. The Board has satisfied itself that RECM adheres to the Code for Responsible Investing in South Africa.

RECM places great emphasis on transparent and comprehensive reporting – it forms the basis of their investment decisions. RECM recognises that good governance reduces the investment risk. RECM takes environmental sustainability and governance issues into account in establishing the fair value of an investee company on a case by case basis.

RECM communicates its views on sustainability with directors and management of the investee companies and re-enforces these views by voting on resolutions where possible. A record of voting is publicly available on their website (www.recm.co.za).

Due to the company structure the extent of sustainability reporting is limited to the above activities.

OTHER MATTERS OF INTEREST TO STAKEHOLDERS

The Company is run independently, with the Board establishing the Company policies, governance and risk management practices.

The Company does not make use of any information technology, but relies on the systems and resources of RECM. While there is no specific governance relating to information technology, the Board does consider the risks related to the information technology utilised by RECM as a component of their overall review of RECM.

Other than the express support of the King Code, mentioned on page 8 and accounting standards mentioned in the notes, the Company does not subscribe to any other rules, codes or standards on a voluntary basis.

Dealings with preference shareholders are conducted, *inter alia*, by way of an annual chairman's meeting during which shareholders are invited to interact with the Chairman on any other matter of relevance. Shareholders may also contact the Company at other times by various means as detailed at the back of this document or on the Company's website. The Company may not always be able to disclose the specific shares held in the investment portfolio of the Company as this may be prejudicial to the investment strategy being pursued by the Investment Manager.

ANNUAL FINANCIAL STATEMENTS

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

| | Page |
|--|-------------|
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DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements, the requirements of the Companies Act 71 of 2008, the framework, measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all

known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company's cash flow forecast for the year to 31 March 2014 and, in the light of this review and the current financial position, they are satisfied that the Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Board of Directors is responsible for the financial affairs of the Company.

The external auditors are responsible for independently reviewing and reporting on the Company's annual financial statements. The annual financial statements have been examined by the Company's external auditors and their report is presented on page 17.

The annual financial statements set out on pages 18 to 40, which have been prepared on the going concern basis, were approved by the Board of Directors on 21 June 2013 and were signed on their behalf by:



PG Viljoen
Executive Chairman



JC van Niekerk
Financial Director

CERTIFICATION BY COMPANY SECRETARY

The Company Secretary hereby certifies, in compliance with section 88(2)(e) of the Companies Act 71 of 2008, as amended, that all returns required have been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.



G Simpson
Company Secretary

21 June 2013
Claremont

REPORT OF THE AUDIT AND RISK COMMITTEE

This report, in respect of the financial year ended 31 March 2013, is presented by the Company's Audit and Risk Committee appointed by the ordinary shareholders.

The Audit and Risk Committee is an independent statutory committee appointed by the ordinary shareholders. Further duties, other than statutory duties, are delegated to the Audit and Risk Committee by the Board of Directors of the Company. This report includes both these sets of duties and responsibilities.

1. AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

The Audit and Risk Committee has adopted formal terms of reference that were approved by the Board of Directors. The Committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein.

2. AUDIT AND RISK COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

The Audit and Risk Committee is independent and consists of three independent, non-executive directors who are suitably skilled and experienced. The Committee is chaired by JG Swiegers who is a chartered accountant. It met on three occasions during the financial year. The Committee will meet at least three times per year in future as per its terms of reference.

| Name of member | 18 June 2012 | 7 November 2012 | 7 March 2013 |
|------------------------|-----------------|--------------------|-----------------|
| JG Swiegers (Chairman) | Present | Present | Present |
| MVP Davis | – | Present | Present |
| G Pretorius | Present | Present | Present |

The effectiveness of the Audit and Risk Committee and its individual members are assessed on an annual basis.

The Chairman of the Board, Finance Director, external auditor and executives of the Investment Manager attend meetings by invitation.

3. ROLE AND RESPONSIBILITIES

The Audit and Risk Committee's role and responsibilities include responsibilities assigned to it by the Board, as well as statutory duties per the Companies Act 71 of 2008.

The Audit and Risk Committee executed its duties in terms of the requirements of King III.

4. EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The Audit and Risk Committee has satisfied itself that the external auditor was independent of the Company, which includes consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the Company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The Committee ensured that the appointment of the auditor complied with the Companies Act.

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the 2013 year.

The Committee approves the nature and extent of non-audit services that the external auditor may provide the Company.

The Committee has nominated, for election at the annual general meeting, Ernst & Young Inc., as the external audit firm and MP Rapson as the designated auditor responsible for performing the functions of auditor, for the 2014 year. The Audit and Risk Committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisors.

REPORT OF THE AUDIT AND RISK COMMITTEE continued

5. FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The Audit and Risk Committee has reviewed the accounting policies and the financial statements of the Company and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

6. INTERNAL FINANCIAL CONTROLS

The Audit and Risk Committee has evaluated reports on the effectiveness of the Company's system of internal controls and risk management as performed by RECM. The Board Report on the effectiveness of the system of internal controls is included in the Directors' Responsibilities and Approval on page 13 of the Integrated Report. The Audit and Risk Committee supports the opinion of the Board in this regard.

7. GOING CONCERN

The Audit and Risk Committee has reviewed a documented assessment, including key assumptions, prepared by RECM of the going concern status of the Company and has made recommendation to the Board in accordance. The Board's statement on the going concern status of the Company, as supported by the Audit and Risk Committee, is stated in the Directors' Responsibilities and Approval on page 13 of the Integrated Report.

8. GOVERNANCE OF RISK

The Board has assigned oversight of the Company's risk management function to the Audit and Risk Committee. The Committee considered the risk management policy and plan as well as the risk management process as performed by RECM. Other than the risk of capital loss as it relates to the practise of investing, the Board has not identified any risks that may threaten the long-term sustainability of the Company. The Committee is satisfied that all of the major risks associated with an investment company have been identified and that all of the controls are in place to manage these risks.

9. INTERNAL AUDIT AND COMPLIANCE

The Audit and Risk Committee relies on RECM and its service providers to perform the internal audit function, albeit in different formats. Furthermore, the Committee oversees cooperation between RECM staff and external auditors, and serves as a link between the Board of Directors and these functions.

During the year, the Committee met with the external auditors without management being present.

The Audit and Risk Committee is satisfied that it complied with its legal, regulatory or other responsibilities.

10. INTERNAL FINANCIAL AND ACCOUNTING CONTROL

The Audit and Risk Committee has satisfied itself that the Financial Director has appropriate expertise and experience.

The Audit and Risk Committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of RECM management responsible for the financial function.

Interim results and preliminary results are published after the September half-year and March full year-end.

The Committee is satisfied that it has complied with all its legal, regulatory and other responsibilities during the year under review.



JG Swiegers

Chairman of the Audit and Risk Committee

21 June 2013

DIRECTORS' REPORT

The directors submit their report for the year ended 31 March 2013.

1. REVIEW OF ACTIVITIES

Main business and operations

The Company is engaged in investing as principal and operates principally in South Africa.

The operating results and state of affairs of the Company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net loss of the Company was R20 236 814 (2012: R25 222 272), after taxation of R3 128 904 (2012: R4 756 287).

2. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any matter or circumstances arising since the end of the financial year.

4. DIRECTORS' SHAREHOLDING

Shareholding of directors, directly and indirectly as at 31 March 2013:

| | Ordinary shares | | | | Preference shares | | | |
|-------------|-----------------|-----------|----------------|-----------|-------------------|-----------|----------------|-----------|
| | 2013 Number | 2013 % | 2012 Number | 2012 % | 2013 Number | 2013 % | 2012 Number | 2012 % |
| T de Bruyn | 1 520 572 | 30,41 | 2 | 0,00 | 170 000 | 0,38 | 170 000 | 0,38 |
| W Stals | N/A | N/A | 2 | 0,00 | N/A | N/A | 50 500 | 0,11 |
| PG Viljoen | 1 749 624 | 34,99 | 2 | 0,00 | 722 495 | 1,61 | 522 495 | 1,16 |
| L Potgieter | 50 284 | 1,01 | - | - | 80 300 | 0,18 | 80 300 | 0,18 |

On 13 June 2013, by way of voluntary announcement, the Company disclosed transactions involving its unlisted ordinary shares.

Following the transactions, the directors' shareholding, directly and indirectly, of the unlisted ordinary shares in the Company were as follows:

| | Number | % |
|----------------|-----------|----|
| T de Bruyn | 1 250 001 | 25 |
| PG Viljoen | 2 500 001 | 50 |
| JC van Niekerk | 1 249 998 | 25 |

5. DIRECTORS' INTEREST IN CONTRACTS

The aforementioned directors are directors of Regarding Capital Management Proprietary Limited. RECM and Calibre Limited has appointed Regarding Capital Management Proprietary Limited to administer its affairs and to manage its investment portfolio as set out in the prospectus dated 14 May 2010.

6. AUTHORISED AND ISSUED SHARE CAPITAL

There were no changes in the authorised or issued share capital of the Company during the year under review.

7. DIVIDENDS

No dividends were declared or paid to shareholders during the year.

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of RECM and Calibre Limited

We have audited the consolidated and separate financial statements of RECM and Calibre Limited set out on pages 18 to 40, which comprise the statements of financial position as at 31 March 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of RECM and Calibre Limited as at 31 March 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act 71 of 2008.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2013, we have read the Directors' Report, the Audit and Risk Committee Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



BDO South Africa Incorporated

Registered Auditors

Partner: CR Norris

Registered Auditor

21 June 2013

Cape Town

STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

| | Note(s) | GROUP | | | COMPANY | | |
|-------------------------------------|---------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | 2013 R | 2012 R | 2011 R | 2013 R | 2012 R | 2011 R |
| ASSETS | | | | | | | |
| Non-current assets | | | | | | | |
| Other financial assets | 3 | 322 303 670 | 166 722 232 | 60 116 932 | 447 802 810 | 288 052 283 | 219 875 090 |
| Current assets | | | | | | | |
| Other financial assets | 3 | 281 793 474 | 395 921 833 | 460 937 696 | 152 579 425 | 270 542 851 | 288 509 508 |
| Trade and other receivables | 6 | 556 890 | 2 656 139 | 2 146 268 | 4 267 845 | 6 148 068 | 6 217 106 |
| Current tax receivable | | 1 153 402 | – | – | 1 153 402 | – | – |
| Cash and cash equivalents | 7 | 345 356 | 891 884 | 979 793 | 220 541 | 702 041 | 883 079 |
| Total assets | | 606 152 792 | 566 192 088 | 524 180 689 | 606 024 023 | 565 445 243 | 515 484 783 |
| EQUITY AND LIABILITIES | | | | | | | |
| Equity | | | | | | | |
| | | 59 174 397 | 55 624 032 | 51 315 619 | 59 163 249 | 55 621 320 | 51 312 787 |
| Share capital | 8 | 50 000 000 | 50 000 000 | 50 000 000 | 50 000 000 | 50 000 000 | 50 000 000 |
| Reserves | | 46 225 052 | 27 220 255 | 2 153 648 | 54 169 932 | 30 391 189 | 860 384 |
| Retained income | | (37 050 655) | (21 596 223) | (838 029) | (45 006 683) | (24 769 869) | 452 403 |
| Non-controlling interests | | – | – | 1 000 000 | – | – | – |
| | | 59 174 397 | 55 624 032 | 52 315 619 | 59 163 249 | 55 621 320 | 51 312 787 |
| Liabilities | | | | | | | |
| Non-current liabilities | | | | | | | |
| Deferred tax | 5 | 13 296 442 | 6 966 433 | 140 062 | 13 296 442 | 6 966 433 | 140 062 |
| Other financial liabilities | 9 | 532 564 276 | 500 610 987 | 461 835 280 | 532 469 234 | 500 591 878 | 461 815 084 |
| Current liabilities | | | | | | | |
| Trade and other payables | 10 | 1 117 677 | 2 990 636 | 9 889 728 | 1 095 098 | 2 265 612 | 2 216 850 |
| Current tax payable | | – | 1 261 634 | 1 538 491 | – | 1 261 634 | 1 538 491 |
| Total equity and liabilities | | 606 152 792 | 566 192 088 | 524 180 689 | 606 024 023 | 565 445 243 | 515 484 783 |

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

| | Note(s) | GROUP | | COMPANY | |
|--|---------|---------------------|--------------|---------------------|--------------|
| | | 2013 R | 2012 R | 2013 R | 2012 R |
| Revenue | 12 | 20 834 955 | 26 019 116 | 20 773 118 | 25 925 159 |
| Operating expenses | 13 | (7 970 802) | (7 702 149) | (8 070 220) | (7 613 484) |
| Operating profit | | 12 864 153 | 18 316 967 | 12 702 898 | 18 311 675 |
| Other income | 14 | 6 763 608 | 4 457 699 | 2 066 548 | – |
| Fair value adjustment on financial liabilities | 15 | (31 953 289) | (38 775 707) | (31 877 356) | (38 776 794) |
| Finance costs | 16 | – | (866) | – | (866) |
| Loss before taxation | | (12 325 528) | (16 001 907) | (17 107 910) | (20 465 985) |
| Taxation | 17 | (3 128 904) | (4 756 287) | (3 128 904) | (4 756 287) |
| Loss for the year | | (15 454 432) | (20 758 194) | (20 236 814) | (25 222 272) |
| Other comprehensive income: | | | | | |
| Available-for-sale financial instruments adjustment | | 24 462 549 | 31 892 887 | 29 236 495 | 36 357 085 |
| Taxation related to components of other comprehensive income | | (5 457 752) | (6 826 280) | (5 457 752) | (6 826 280) |
| Other comprehensive income for the year net of taxation | 19 | 19 004 797 | 25 066 607 | 23 778 743 | 29 530 805 |
| Total comprehensive income | | 3 550 365 | 4 308 413 | 3 541 929 | 4 308 533 |
| <i>Total comprehensive income attributable to:</i> | | | | | |
| Ordinary shareholders | | 3 550 365 | 4 249 329 | 3 541 929 | 4 308 533 |
| Non-controlling interests | | – | 59 084 | – | – |
| | | 3 550 365 | 4 308 413 | 3 541 929 | 4 308 533 |
| Earnings and headline earnings per share | | | | | |
| <i>Per share information (ordinary and preference)</i> | | | | | |
| Basic and diluted earnings per share (cents) | 20 | (309) | (415) | (405) | (504) |
| Headline earnings per share (cents) | 20 | (433) | (504) | (435) | (504) |
| Additional information: | | | | | |
| Net asset value per share | | | | | |
| Net asset value per ordinary share (cents) | 20 | 1 183 | 1 112 | 1 183 | 1 112 |
| Net asset value per preference share (cents) | 20 | 1 183 | 1 112 | 1 183 | 1 112 |
| Adjusted earnings | | 35 503 654 | 43 084 120 | 35 419 285 | 43 085 327 |
| <i>Adjusted earnings attributable to:</i> | | | | | |
| Ordinary shareholders | 21 | 3 550 365 | 4 249 329 | 3 541 929 | 4 308 533 |
| Preference shareholders | 21 | 31 953 289 | 38 775 707 | 31 877 356 | 38 776 794 |
| Non-controlling interests | 21 | – | 59 084 | – | – |

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

| | Share capital R | Share premium R | Total share capital R | Fair value adjustment assets available-for-sale reserve R | Retained income R | Total shareholders' equity R | Non-controlling interests R | Total equity R |
|---|--------------------|--------------------|--------------------------|--|----------------------|---------------------------------|--------------------------------|-------------------|
| GROUP | | | | | | | | |
| Balance at 1 April 2011 | 50 000 | 49 950 000 | 50 000 000 | 2 153 648 | (838 029) | 51 315 619 | 1 000 000 | 52 315 619 |
| Changes in equity | | | | | | | | |
| Total comprehensive income for the year | - | - | - | 25 007 523 | (20 758 194) | 4 249 329 | 59 084 | 4 308 413 |
| Change in unit trust holders | - | - | - | 59 084 | - | 59 084 | (1 059 084) | (1 000 000) |
| Balance at 1 April 2012 | 50 000 | 49 950 000 | 50 000 000 | 27 220 255 | (21 596 223) | 55 624 032 | - | 55 624 032 |
| Changes in equity | | | | | | | | |
| Total comprehensive income for the year | - | - | - | 19 004 797 | (15 454 432) | 3 550 365 | - | 3 550 365 |
| Balance at 31 March 2013 | 50 000 | 49 950 000 | 50 000 000 | 46 225 052 | (37 050 655) | 59 174 397 | - | 59 174 397 |
| COMPANY | | | | | | | | |
| Balance at 1 April 2011 | 50 000 | 49 950 000 | 50 000 000 | 860 384 | 452 403 | 51 312 787 | - | 51 312 787 |
| Changes in equity | | | | | | | | |
| Total comprehensive income for the year | - | - | - | 29 530 805 | (25 222 272) | 4 308 533 | - | 4 308 533 |
| Balance at 1 April 2012 | 50 000 | 49 950 000 | 50 000 000 | 30 391 189 | (24 769 869) | 55 621 320 | - | 55 621 320 |
| Changes in equity | | | | | | | | |
| Total comprehensive income for the year | - | - | - | 23 778 743 | (20 236 814) | 3 541 929 | - | 3 541 929 |
| Balance at 31 March 2013 | 50 000 | 49 950 000 | 50 000 000 | 54 169 932 | (45 006 683) | 59 163 249 | - | 59 163 249 |
| Note(s) | 8 | 8 | 8 | | | | | |

STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

| | Note(s) | GROUP | | COMPANY | |
|---|---------|---------------------|---------------------|---------------------|---------------------|
| | | 2013 R | 2012 R | 2013 R | 2012 R |
| Cash flows from operating activities | | | | | |
| Cash from/used in operations | 22 | 280 729 | (10 376 556) | (4 032 330) | (7 218 827) |
| Interest income | | 17 680 235 | 24 073 760 | 17 642 540 | 24 050 488 |
| Dividends received | | 3 154 720 | 1 945 356 | 3 130 578 | 1 874 671 |
| Finance costs | | – | (866) | – | (866) |
| Tax paid | 23 | (4 671 592) | (5 033 144) | (4 671 592) | (5 033 144) |
| Net cash from operating activities | | 16 444 092 | 10 608 550 | 12 069 196 | 13 672 322 |
| Cash flows from investing activities | | | | | |
| Additions to other financial investments | | (16 990 620) | (10 696 459) | (12 550 696) | (13 853 360) |
| Net cash used in investing activities | | (16 990 620) | (10 696 459) | (12 550 696) | (13 853 360) |
| Net cash from financing activities | | – | – | – | – |
| Total cash movement for the year | | (546 528) | (87 909) | (481 500) | (181 038) |
| Cash and cash equivalents at the beginning of the year | | 891 884 | 979 793 | 702 041 | 883 079 |
| Total cash at the end of the year | 7 | 345 356 | 891 884 | 220 541 | 702 041 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. ACCOUNTING POLICIES – PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the Companies Act 71 of 2008 and the Listings Requirements of the JSE Limited. The principal accounting policies applied in the preparation of the financial statements are set out below. They are presented in South African Rands.

These accounting policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as noted below. The adoption of the new accounting standards and amendments to IFRS only affected disclosure and had no impact on the results of either the current or prior year.

Changes in accounting policy

- The Group has changed its classification of the preference shares to financial liabilities at fair value through profit or loss. (See note 29 for disclosure implications of this reclassification.)
- The Group has early adopted IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and amendments to IAS 27 Consolidated and Separate Financial Statements with a date of initial application 1 April 2012.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation of an investee if the Group controls the investee on the basis of de facto circumstances.

In accordance with the transitional provisions of IFRS 10, the Group re-assessed the control conclusion for an investee, being units in a collective investment scheme, at 31 March 2013. As a consequence, the Group has changed its control conclusion in respect of its investment in the RECM Institutional Worldwide Flexible Fund. The directors have determined that it has de facto control over the investee. Accordingly, the Group applied acquisition accounting to the investment. Previously, the investment was accounted for as an available-for-sale financial instrument.

As a result of the retrospective application of these changes, and as required by IAS 1, the Group and Company have both presented three statements of financial position.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables and loans and receivables

The Group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Available-for-sale financial instruments

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter financial instruments) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

The Company reviews and tests annually the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of asset.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Basis of consolidation

The consolidated financial statements include the financial position, financial performance and cash flow information of the holding company and its subsidiary. All financial results are consolidated with similar items on a line by line basis.

Subsidiary

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

Control of the RE:CM Institutional Worldwide Flexible Fund investment is achieved through RAC's power over the investee. This power arises from the substantive rights RAC holds as the solitary investor in the fund, as well as the common directorships held between RAC and the fund's investment manager (RECM).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

The results of the subsidiary are included for the period during which the Group exercises control of the subsidiary. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, but considered an impairment indicator of the asset transferred.

When necessary, adjustments are made to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

Separate Company's financial statements

In the separate accounts of the Company, the investment in a subsidiary entity is carried at fair value.

1.2 Financial instruments

Financial instruments disclosed in the financial statements include cash and cash equivalents, investments, short-term loans, trade and other receivables, financial liabilities and trade and other payables. Financial instruments are initially recognised at fair value, including transaction costs, when the company becomes party to the contractual terms of the instruments. The transaction costs relating to the acquisition of financial instruments not held at fair value through profit and loss are included in the initial measurement of the instrument. Subsequent to initial recognition, these instruments are measured as follows:

Classification

The Group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables;
- Available-for-sale financial assets; and
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained or incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

 continued

for the year ended 31 March 2013

Subsequent measurement

Subsequent to initial recognition, financial instruments are measured as follows:

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. These instruments are carried at amortised cost using the effective interest rate method.

Available-for-sale financial instruments

Other financial instruments are classified as available-for-sale and are carried at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial instruments are recognised through other comprehensive income in the period in which they arise. When these financial instruments are either derecognised or impaired, the accumulated fair value adjustments are realised and included in the income statement.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at cost using the effective interest rate method. Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Preference shares

Redeemable, participating, non-cumulative preference shares are classified as financial liabilities at fair value through profit and loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

All purchases and sales of financial instruments are recognised at the trade date.

Financial assets (or part thereof) are derecognised when the company realises the rights to the benefits specified in the contract, or the company surrenders or otherwise loses control of the contractual rights that comprises the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable, as well as any prior adjustment to reflect their value that has been recognised in other comprehensive income, is included in the Statement of Comprehensive Income.

Financial liabilities (or part thereof) are derecognised when the company's obligation specified in the contract is discharged or cancelled or has expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in the Statement of Comprehensive Income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

Fair value determination

Financial instruments that are measured at fair value in the Statement of Financial Position, are disclosed by level of the following fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities. The fair value of Level 1 financial instruments traded in an organised financial market is measured at the applicable bid or offer prices.

Level 2 – Prices that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices). The fair value of Level 2 financial instruments traded in an organised financial market is measured at the applicable retail price which is typically available over the counter. This typically relates to purchases not done through an exchange, for example purchase of units in a Collective Investment Scheme.

Level 3 – Prices for the assets or liabilities that are not based on observable market data. The fair value of these financial instruments (those not traded in an organised financial market) is determined using a variety of methods and assumptions are based on market conditions and risk existing at reporting date, including independent appraisals.

Fair values represents approximates of possible values, which may differ from the value that will finally be realised.

Impairment of financial assets

At each reporting date the Company assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity as a reclassification adjustment to other comprehensive income.

Impairment losses are reversed when an increase in the financial assets' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Impairment losses and reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

1.3 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

Tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.4 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Redeemable, participating, non-cumulative preference shares are classified as liabilities.

1.5 Revenue

Interest is recognised using the effective interest rate method.

Dividends are recognised when the Company's right to receive payment has been established.

1.6 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

IFRS 10 – Consolidated Financial Statements

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to a change in the current accounting for these investees (see Note 1).

The effective date of the amendment is for years beginning on or after 1 January 2013.

The Company has adopted the amendment for the first time in the 2013 financial statements.

The adoption of this amendment has not had any impact on the results of the company, but has resulted in disclosure of consolidated Group financial statements which had previously not been provided in the financial statements.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosure requirements of IFRS 12 were previously included in IAS 27, IAS 31 and IAS 28, while others are new.

The objective of the new disclosure requirements is to help the users of financial statements understand the following:

- The effects of an entity's interests in other entities on its financial position, financial performance and cash flows; and
- The nature of, and the risks associated with, the entity's interest in other entities.

Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include:

- Summarised financial information for each of its subsidiaries that have non-controlling interests that are material to the reporting entity;
- Significant judgements used by management in determining control, joint control and significant influence, and the type of joint arrangement (ie joint operation or joint venture), if applicable;
- Summarised financial information for each individually material joint venture and associate; and
- Nature of the risks associated with an entity's interests in unconsolidated structured entities, and changes to those risks.

The effective date of the standard is for years beginning on or after 1 January 2014.

The Company has adopted the amendment for the first time in the 2013 financial statements.

The adoption of this amendment has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the financial statements.

Amendments to IAS 27 Consolidated and Separate Financial Statements

Consequential amendments resulting from the issue of IFRS 10, 11 and 12.

Requirement to account for interests in 'Investment Entities' at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent.

The effective date of the standard is for years beginning on or after 1 January 2014.

The Company has adopted the amendment for the first time in the 2013 financial statements.

The adoption of this amendment has not had a material impact on the results of the Company, but has resulted in more disclosure than would have previously been provided in the financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

2.2 Standards and interpretations not yet effective

IFRS 9 – Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. Phase one deals with the classification and measurement of financial assets. The following are changes from the classification and measurement rules of IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- For hybrid contracts, where the host contract is within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost under any circumstances.

The effective date of the standard is for years beginning on or after 1 January 2015.

The Company expects to adopt the standard for the first time in the 2015 financial statements.

The adoption of this standard is not expected to impact on the results of the Company, but may result in more disclosure than is currently provided in the financial statements.

IFRS 13 – Fair Value Measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Group is currently reviewing its methodologies in determining fair values.

The effective date of the standard is for years beginning on or after 1 January 2013.

The Company expects to adopt the standard for the first time in the 2014 financial statements.

The adoption of this standard is not expected to impact on the results of the Company, but may result in more disclosure than is currently provided in the financial statements.

Amendment to IFRS 7 – Financial Instruments: Disclosures

Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.

The effective date of the standard is for years beginning on or after 1 January 2013.

The Company expects to adopt the standard for the first time in the 2014 financial statements.

The adoption of this standard is not expected to impact on the results of the Company, but may result in more disclosure than is currently provided in the financial statements.

Amendment to IFRS 10 – Consolidated Financial Statements

IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of "Investment Entities" must be accounted for at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement.

The effective date of the amendment is for years beginning on or after 1 January 2014.

The Company expects to adopt the standard for the first time in the 2015 financial statements. The adoption of this standard is not expected to impact on the results or disclosure of the Company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

| | GROUP | | COMPANY | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2013 R | 2012 R | 2013 R | 2012 R |
| 3. OTHER FINANCIAL ASSETS | | | | |
| Fair value hierarchy of available-for-sale financial assets | | | | |
| Level 1 | | | | |
| Class 1 – Listed shares – Quoted | 241 745 861 | 153 174 885 | 102 223 402 | 34 373 878 |
| | 241 745 861 | 153 174 885 | 102 223 402 | 34 373 878 |
| Level 2 | | | | |
| Class 2 – Unlisted shares – Quoted | 34 319 355 | 13 267 347 | 34 319 355 | 13 267 347 |
| Class 3 – Unit trusts | – | – | 265 021 599 | 240 131 058 |
| Class 4 – Money Market Funds | 281 793 474 | 395 921 833 | 152 579 425 | 270 542 851 |
| | 316 112 829 | 409 189 180 | 451 920 379 | 523 941 256 |
| Level 3 | | | | |
| Class 5 – Unlisted shares – Unquoted | 46 238 454 | 280 000 | 46 238 454 | 280 000 |
| | 46 238 454 | 280 000 | 46 238 454 | 280 000 |
| | 604 097 144 | 562 644 065 | 600 382 235 | 558 595 134 |
| Non-current assets | | | | |
| Available-for-sale | 322 303 670 | 166 722 232 | 447 802 810 | 288 052 283 |
| Current assets | | | | |
| Available-for-sale | 281 793 474 | 395 921 833 | 152 579 425 | 270 542 851 |
| Total other financial assets | 604 097 144 | 562 644 065 | 600 382 235 | 558 595 134 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

| | Loans and receivables R | Available- for-sale R | Total R |
|--|-------------------------------|-----------------------------|------------|
|--|-------------------------------|-----------------------------|------------|

4. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

GROUP

| | R | R | R |
|-----------------------------|---------|-------------|-------------|
| 2013 | | | |
| Cash and cash equivalents | – | 345 356 | 345 356 |
| Other financial assets | – | 604 097 144 | 604 097 144 |
| Trade and other receivables | 556 890 | – | 556 890 |
| | 556 890 | 604 442 500 | 604 999 390 |

| | | | |
|-----------------------------|-----------|-------------|-------------|
| 2012 | | | |
| Cash and cash equivalents | – | 891 884 | 891 884 |
| Other financial assets | – | 562 644 065 | 562 644 065 |
| Trade and other receivables | 2 656 139 | – | 2 656 139 |
| | 2 656 139 | 563 535 949 | 566 192 088 |

COMPANY

| | | | |
|-----------------------------|-----------|-------------|-------------|
| 2013 | | | |
| Cash and cash equivalents | – | 220 541 | 220 541 |
| Other financial assets | – | 600 382 235 | 600 382 235 |
| Trade and other receivables | 4 267 845 | – | 4 267 845 |
| | 4 267 845 | 600 602 776 | 604 870 621 |

| | | | |
|-----------------------------|-----------|-------------|-------------|
| 2012 | | | |
| Cash and cash equivalents | – | 702 041 | 702 041 |
| Other financial assets | – | 558 595 134 | 558 595 134 |
| Trade and other receivables | 6 148 068 | – | 6 148 068 |
| | 6 148 068 | 559 297 175 | 565 445 243 |

| | GROUP | | COMPANY | |
|---|------------|-----------|------------|-----------|
| | 2013 R | 2012 R | 2013 R | 2012 R |
| 5. DEFERRED TAX | | | | |
| Deferred tax liability | | | | |
| Recognised in other comprehensive income | 13 296 442 | 6 966 433 | 13 296 442 | 6 966 433 |
| Reconciliation of deferred tax liability | | | | |
| At beginning of year | 6 966 433 | 140 062 | 6 966 433 | 140 062 |
| Temporary difference on revenue receivable | – | – | 872 348 | – |
| Temporary difference on available-for-sale instruments adjustment | 6 330 009 | 6 826 371 | 5 457 661 | 6 826 371 |
| | 13 296 442 | 6 966 433 | 13 296 442 | 6 966 433 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

| | GROUP | | COMPANY | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2013 R | 2012 R | 2013 R | 2012 R |
| 6. TRADE AND OTHER RECEIVABLES | | | | |
| Revenue receivable | 556 890 | 2 394 626 | 4 267 845 | 6 148 068 |
| Other receivable | – | 261 513 | – | – |
| | 556 890 | 2 656 139 | 4 267 845 | 6 148 068 |
| Credit quality of trade and other receivables | | | | |
| The Investment Manager assesses investible institutions by using independent risk ratings and internal research to assess credit limits. Investment funds are placed with these institutions on the basis of the credit limits so established. | | | | |
| Fair value of trade and other receivables | | | | |
| Trade and other receivables | 556 890 | 2 656 139 | 4 267 845 | 6 148 068 |
| The carrying amount of trade and other receivables approximates its fair value. As of March 2013, no trade and other receivables were impaired or provided for. | | | | |
| 7. CASH AND CASH EQUIVALENTS | | | | |
| Cash and cash equivalents consist of: | | | | |
| Bank balances | 345 356 | 891 884 | 220 541 | 702 041 |
| Credit quality of cash at bank and short-term deposits, excluding cash on hand | | | | |
| The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates: | | | | |
| Credit rating | | | | |
| F1+ (Fitch) | 345 356 | 891 884 | 220 541 | 702 041 |
| 8. SHARE CAPITAL | | | | |
| Authorised | | | | |
| 5 000 000 ordinary shares of R0,01 each | 50 000 | 50 000 | 50 000 | 50 000 |
| 100 000 000 non-cumulative redeemable participating preference shares of R0,01 each | 1 000 000 | 1 000 000 | 1 000 000 | 1 000 000 |
| | 1 050 000 | 1 050 000 | 1 050 000 | 1 050 000 |
| Issued | | | | |
| 5 000 000 ordinary shares of R0,01 each | 50 000 | 50 000 | 50 000 | 50 000 |
| Share premium | 49 950 000 | 49 950 000 | 49 950 000 | 49 950 000 |
| | 50 000 000 | 50 000 000 | 50 000 000 | 50 000 000 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

| | GROUP | | COMPANY | |
|--|--------------------|-------------|--------------------|-------------|
| | 2013 R | 2012 R | 2013 R | 2012 R |
| 9. OTHER FINANCIAL LIABILITIES | | | | |
| Held at fair value through profit or loss | | | | |
| Non-current liabilities | | | | |
| Other financial liabilities – Redeemable, participating, non-cumulative preference shares | 450 000 000 | 450 000 000 | 450 000 000 | 450 000 000 |
| Cumulative fair value adjustment on financial liability | 82 564 276 | 50 610 987 | 82 469 234 | 50 591 878 |
| | 532 564 276 | 500 610 987 | 532 469 234 | 500 591 878 |

The other financial liabilities consist of 45 000 000 redeemable, participating, non-cumulative preference shares of R0,01 each and a share premium of R9,99 each, which shares are listed on the JSE Limited, and the reserves and retained income attributable to these preference shares according to Article 4.5.3.2 of the Memorandum of Incorporation of the Company.

On the occurrence of a redemption event, each preference shareholder shall be entitled to be paid, on the relevant redemption date, in redemption of the preference shares held by it in preference and in priority to the holders of all other classes of shares in the share capital of the company, as a redemption amount in respect of each preference share held by it, an amount equal to the designated percentage of all payments to be made to shareholders, whether in cash or in specie, divided by the number of preference shares in issue at the relevant date. The designated percentage means, at any relevant time, the percentage which all the preference shares in the aggregate constitute of the entire issued share capital of the Company.

Each of the following events set out in Article 4.5 of the Company's Memorandum of Incorporation constitutes a redemption event, namely:

- A final order of competent court is made for the winding-up of the Company ("the liquidation event");
- A resolution by the board of directors of the Company to redeem the Preference shares before the liquidation event (which the board of directors of the Company shall be entitled to so resolve at any time after the Preference shares issue date);
- A resolution is passed by the ordinary shareholders or all the shareholders, for the voluntary winding-up of the Company, and or
- A resolution is passed by the directors of the Company, for the Company to cease the conduct of its business.

| | GROUP | | COMPANY | |
|-------------------------------------|------------------|-----------|------------------|-----------|
| | 2013 R | 2012 R | 2013 R | 2012 R |
| 10. TRADE AND OTHER PAYABLES | | | | |
| Trade payables | 568 677 | 604 752 | 546 098 | 581 749 |
| Other payables | 549 000 | 1 124 250 | 549 000 | 422 229 |
| | 1 117 677 | 1 729 002 | 1 095 098 | 1 003 978 |

The carrying amounts of trade and other payables approximate its fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

| | GROUP | | | COMPANY | | |
|--|--|---|--------------------|--|---|--------------------|
| | Financial liabilities at fair value through profit or loss | Financial liabilities at amortised cost | Total | Financial liabilities at fair value through profit or loss | Financial liabilities at amortised cost | Total |
| | R | R | R | R | R | R |
| 11. FINANCIAL LIABILITIES BY CATEGORY | | | | | | |
| 2013 | | | | | | |
| Other financial liabilities | 532 564 276 | – | 532 564 276 | 532 469 234 | – | 532 469 234 |
| Trade and other payables | – | 1 117 677 | 1 117 677 | – | 1 095 098 | 1 095 098 |
| | 532 564 276 | 1 117 677 | 533 681 953 | 532 469 234 | 1 095 098 | 533 564 332 |
| 2012 | | | | | | |
| Other financial liabilities | 500 610 987 | – | 500 610 987 | 500 591 878 | – | 500 591 878 |
| Trade and other payables | – | 1 729 002 | 1 729 002 | – | 1 003 978 | 1 003 978 |
| | 500 610 987 | 1 729 002 | 502 339 989 | 500 591 878 | 1 003 978 | 501 595 856 |

| | GROUP | | COMPANY | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2013 R | 2012 R | 2013 R | 2012 R |
| 12. REVENUE | | | | |
| Dividend revenue | | | | |
| Unit trusts – local | – | – | 1 864 564 | 1 284 842 |
| Listed financial assets – local | 2 661 207 | 1 601 967 | 772 501 | 246 440 |
| Unlisted financial assets – local | 493 513 | 343 389 | 493 513 | 343 389 |
| Total dividend revenue | 3 154 720 | 1 945 356 | 3 130 578 | 1 874 671 |
| Interest revenue | | | | |
| Bank | 8 215 447 | 10 121 815 | 4 972 038 | 5 064 668 |
| Financial assets | 9 464 788 | 13 951 945 | 12 670 502 | 18 985 820 |
| Total interest revenue | 17 680 235 | 24 073 760 | 17 642 540 | 24 050 488 |
| Total revenue | 20 834 955 | 26 019 116 | 20 773 118 | 25 925 159 |
| 13. OPERATING EXPENSES | | | | |
| Included in operating expenses are: | | | | |
| • Payments to Regarding Capital Management (Pty) Ltd for: | | | | |
| – Investment management fees | 6 628 236 | 6 167 335 | 6 628 236 | 6 167 335 |
| – Administrative and accounting fees | 167 816 | 164 823 | 136 800 | 136 800 |
| • JSE-related expenses | 61 975 | 199 919 | 61 975 | 199 919 |
| • Auditors' remuneration | 259 501 | 295 945 | 230 592 | 280 145 |
| 14. OTHER INCOME | | | | |
| Profit on sale of non-current assets | 6 217 664 | 4 457 699 | 1 520 604 | – |
| Sundry income | 545 944 | – | 545 944 | – |
| | 6 763 608 | 4 457 699 | 2 066 548 | – |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

| | GROUP | | COMPANY | |
|--|--------------|--------------|--------------|--------------|
| | 2013 R | 2012 R | 2013 R | 2012 R |
| 15. FAIR VALUE ADJUSTMENT ON FINANCIAL LIABILITIES | | | | |
| 45 000 000 redeemable, participating, non-cumulative preference shares | (31 953 289) | (38 775 707) | (31 877 356) | (38 776 794) |
| <p>According to Article 4.5.3.2 of the Memorandum of Incorporation of the Company, the preference shareholders shall be entitled to their share of the retained income and reserves of the Company. The terms of the preference shares are such that they should be classified as financial liabilities at fair value through profit and loss.</p> | | | | |
| 16. FINANCE COSTS | | | | |
| Bank | – | 866 | – | 866 |
| 17. TAXATION | | | | |
| Major components of the tax expense | | | | |
| Current | | | | |
| Income tax – current period | 3 557 899 | 4 756 287 | 3 557 899 | 4 756 287 |
| Income tax – prior period | (1 301 343) | – | (1 301 343) | – |
| | 2 256 556 | 4 756 287 | 2 256 556 | 4 756 287 |
| Deferred | | | | |
| Current period | 872 348 | – | 872 348 | – |
| | 3 128 904 | 4 756 287 | 3 128 904 | 4 756 287 |
| Reconciliation of the tax expense | | | | |
| Reconciliation between accounting profit and tax expense | | | | |
| Accounting profit | (12 325 528) | (16 001 907) | (17 107 910) | (20 465 985) |
| Tax at the applicable tax rate of 28% (2012: 28%) | (3 451 148) | (4 480 534) | (4 790 215) | (5 730 476) |
| Tax effect of adjustments on taxable income | | | | |
| Prior year overpayment | (280 333) | – | (280 333) | – |
| Non-taxable income | (2 398 620) | (2 061 279) | (1 018 432) | (524 908) |
| Non-tax deductible expenses | 9 259 005 | 11 298 100 | 9 217 884 | 11 011 671 |
| | 3 128 904 | 4 756 287 | 3 128 904 | 4 756 287 |
| 18. AUDITORS' REMUNERATION | | | | |
| Fees for audit services | 218 613 | 259 769 | 194 640 | 243 969 |
| Current year | 194 973 | 189 916 | 171 000 | 174 116 |
| Prior year | 23 640 | 69 853 | 23 640 | 69 853 |
| Fees for non-audit services | 40 887 | 36 176 | 35 952 | 36 176 |
| Current year | 27 382 | 13 515 | 22 447 | 13 515 |
| Prior year | 13 505 | 22 661 | 13 505 | 22 661 |
| | 259 500 | 295 945 | 230 592 | 280 145 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

| | Gross R | Tax R | Change in CGT rate R | Net R |
|--|-------------------|--------------------|----------------------------|-------------------|
| 19. OTHER COMPREHENSIVE INCOME | | | | |
| GROUP | | | | |
| 2013 | | | | |
| Components of other comprehensive income | | | | |
| Available-for-sale financial instrument adjustments | | | | |
| Gains arising during the year: | | | | |
| Listed shares – Quoted | 20 572 598 | (4 731 591) | – | 15 841 007 |
| Unlisted shares – Quoted | 3 889 951 | (726 161) | – | 3 163 790 |
| | 24 462 549 | (5 457 752) | – | 19 004 797 |
| 2012 | | | | |
| Components of other comprehensive income | | | | |
| Available-for-sale financial instrument adjustments | | | | |
| Gains arising during the year: | | | | |
| Listed shares – Quoted | 32 301 024 | (6 855 978) | (36 909) | 25 408 137 |
| Unlisted shares – Quoted | (408 137) | 76 109 | (9 502) | (341 530) |
| | 31 892 887 | (6 779 869) | (46 411) | 25 066 607 |
| COMPANY | | | | |
| 2013 | | | | |
| Components of other comprehensive income | | | | |
| Available-for-sale financial instrument adjustments | | | | |
| Gains arising during the year: | | | | |
| Listed shares – Quoted | 8 816 205 | (1 645 774) | – | 7 170 431 |
| Unlisted shares – Quoted | 3 889 951 | (726 161) | – | 3 163 790 |
| Unit Trusts | 16 530 339 | (3 085 817) | – | 13 444 522 |
| | 29 236 495 | (5 457 752) | – | 23 778 743 |
| 2012 | | | | |
| Components of other comprehensive income | | | | |
| Available-for-sale financial instrument adjustments | | | | |
| Gains arising during the year: | | | | |
| Listed shares – Quoted | 8 267 933 | (1 541 804) | 12 554 | 6 738 683 |
| Unlisted shares – Quoted | (408 137) | 76 109 | (9 502) | (341 530) |
| Unit Trusts | 28 497 289 | (5 314 174) | (49 463) | 23 133 652 |
| | 36 357 085 | (6 779 869) | (46 411) | 29 530 805 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

| | GROUP | | COMPANY | |
|--|--------------|--------------|--------------|--------------|
| | 2013 R | 2012 R | 2013 R | 2012 R |
| 20. EARNINGS AND HEADLINE EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE | | | | |
| Earnings and headline earnings per shares are based on the profit attributable to ordinary and preference shareholders in issue during the year. | | | | |
| Number of shares in issue | | | | |
| Ordinary shares | 5 000 000 | 5 000 000 | 5 000 000 | 5 000 000 |
| Preference shares | 45 000 000 | 45 000 000 | 45 000 000 | 45 000 000 |
| Earnings | | | | |
| Net loss after tax | (15 454 432) | (20 758 194) | (20 236 814) | (25 222 272) |
| <i>Adjusted to headline earnings as follows:</i> | | | | |
| IAS 16 – Profit on asset disposal | (6 217 664) | (4 457 699) | (1 520 604) | – |
| Headline earnings | (21 672 096) | (25 215 893) | (21 757 418) | (25 222 272) |
| Basic and diluted earnings per ordinary share (cents) | (309) | (415) | (405) | (504) |
| Headline earnings per ordinary share (cents) | (433) | (504) | (435) | (504) |
| Net asset value | | | | |
| Net asset value attributable to ordinary shareholders | 59 174 397 | 55 624 032 | 59 163 249 | 55 621 320 |
| Fair value of preference shareholding | 532 564 276 | 500 610 987 | 532 469 234 | 500 591 878 |
| Net asset value per ordinary share (cents) | 1 183 | 1 112 | 1 183 | 1 112 |
| Net asset value per preference share (cents) | 1 183 | 1 112 | 1 183 | 1 112 |
| 21. ADJUSTED EARNINGS | | | | |
| Adjusted earnings has been calculated as follows: | | | | |
| Total comprehensive income | 3 550 365 | 4 308 413 | 3 541 929 | 4 308 533 |
| <i>Adjusted for:</i> | | | | |
| Fair value adjustment on financial liabilities | 31 953 289 | 38 775 707 | 31 877 356 | 38 776 794 |
| Adjusted earnings | 35 503 654 | 43 084 120 | 35 419 285 | 43 085 327 |
| Number of shares in issue | | | | |
| Ordinary shares | 5 000 000 | 5 000 000 | 5 000 000 | 5 000 000 |
| Preference shares | 45 000 000 | 45 000 000 | 45 000 000 | 45 000 000 |
| | 50 000 000 | 50 000 000 | 50 000 000 | 50 000 000 |
| <i>Adjusted earnings attributable to:</i> | | | | |
| Ordinary shareholders | 3 550 365 | 4 249 329 | 3 541 929 | 4 308 533 |
| Preference shareholders | 31 953 289 | 38 775 707 | 31 877 356 | 38 776 794 |
| Non-controlling interests | – | 59 084 | – | – |
| | 35 503 654 | 43 084 120 | 35 419 285 | 43 085 327 |
| 22. CASH FROM/(USED IN) OPERATIONS | | | | |
| Profit before taxation | (12 325 528) | (16 001 907) | (17 107 910) | (20 465 985) |
| Adjustments for: | | | | |
| Dividends received | (3 154 720) | (1 945 356) | (3 130 578) | (1 874 671) |
| Interest received | (17 680 235) | (24 073 760) | (17 642 540) | (24 050 488) |
| Finance costs | – | 866 | – | 866 |
| Non-cash movement in financial liability | 31 953 289 | 38 775 707 | 31 877 356 | 38 776 794 |
| Changes in working capital: | | | | |
| Trade and other receivables | 2 099 248 | (509 871) | 1 880 222 | 69 038 |
| Trade and other payables | (611 325) | (6 622 235) | 91 120 | 325 619 |
| | 280 729 | (10 376 556) | (4 032 330) | (7 218 827) |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

| | GROUP | | COMPANY | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2013 R | 2012 R | 2013 R | 2012 R |
| 23. TAX PAID | | | | |
| Balance at the beginning of the year | (1 261 634) | (1 538 491) | (1 261 634) | (1 538 491) |
| Current tax for the year recognised in profit | (2 256 556) | (4 756 287) | (2 256 556) | (4 756 287) |
| Balance at the end of the year | (1 153 402) | 1 261 634 | (1 153 402) | 1 261 634 |
| | (4 671 592) | (5 033 144) | (4 671 592) | (5 033 144) |

24. RELATED PARTIES

Relationships

Shareholders with significant influence

Nicholas Viljoen Trust; Theunis de Bruyn Family Trust;
Werner & Susan Stals Trust

Subsidiary

RE:CM Institutional Worldwide Flexible Fund

Members of key management

T de Bruyn; L Potgieter; PG Viljoen

| | GROUP | | COMPANY | |
|---|-----------|-----------|-----------|-----------|
| | 2013 R | 2012 R | 2013 R | 2012 R |
| Related party transactions | | | | |
| <i>Revenue received from related parties</i> | | | | |
| RE:CM Institutional Worldwide Flexible Fund | | | | |
| Dividends | – | – | 1 864 564 | 1 284 842 |
| Interest | – | – | 6 556 645 | 7 951 162 |
| <i>Asset management fee paid to related parties</i> | | | | |
| Regarding Capital Management Proprietary Limited | 6 696 636 | 6 167 335 | 6 696 636 | 6 167 335 |
| <i>Administrative fee paid to related parties</i> | | | | |
| Regarding Capital Management Proprietary Limited | 68 400 | 136 800 | 68 400 | 136 800 |
| Related party balances | | | | |
| Amounts included in trade receivables regarding related parties | | | | |
| RE:CM Institutional Worldwide Flexible Fund | – | – | 4 267 845 | 6 148 068 |

RAC directors with material interests in contracts entered into by RAC

Messrs PG Viljoen, T de Bruyn and L Potgieter, being directors of Regarding Capital Management Proprietary Limited, have a material interest in the investment management agreement entered into between RAC and RECM for the management of the investment portfolio of RAC.

25. DIRECTORS' EMOLUMENTS

Non-executive director

| | | | | |
|-------------|---------|---------|---------|---------|
| MVP Davis | 108 000 | 100 000 | 108 000 | 100 000 |
| G Pretorius | 108 000 | 100 000 | 108 000 | 100 000 |
| JG Swiegers | 162 000 | 100 000 | 162 000 | 100 000 |

Executive directors do not receive any directors' fees from the Company and the Group has no employees.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

26. RISK MANAGEMENT

Risk management objectives and policies

The Group's financial objective is to grow the net asset value per share at a high rate; bearing in mind the absolute necessity to ensure the Group's ability to operate as a going concern at all times. The manager of the Group's assets regards the risk of losing capital as the most important risk to manage. This risk is managed firstly through buying only into assets where the price paid is substantially less than the value received. A secondary, but equally important risk management tool is to focus on the underlying quality of the assets acquired.

The Board of RAC is required to consider and report on various risks in its financial reporting. The risk management function focuses on actively securing the Group's financial objectives by employing the services of a professional Investment Manager. The most significant financial risks to which the Group is exposed are described below. The Group does not engage in the trading of financial assets for speculative purposes. Its Memorandum of Incorporation also limits the amount of leverage it can employ.

Market risk

The Group is subject to the risk of adverse movements in the market price of listed securities in which it has invested. This market risk is managed by the investment adviser by buying assets below their expected value. These investments are monitored on an ongoing basis by the investment adviser and periodically reported on to the Board of Directors. Significant investments are approved in advance by the Board.

Interest rate risk

As the Group has significant interest bearing assets at times during the financial year, the Group's income and operating cash flows are influenced by market interest rates. The Group has, at this stage, minimal exposure to interest rate risk associated with fluctuations in the market rates of financial instruments. This is due to the fact that it owns no long duration interest-bearing assets.

At 31 March 2013 if interest rates had been 1% higher/lower with all other variables held constant, post tax profit for the year would have been R76 239 (2012: R151 456) higher/lower.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk through an ongoing review of foreseeable future commitments and ensuring that adequate cash balances are maintained at all times. The Group is very conservative in its approach to liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Less than one year R | Over one year R |
|-----------------------------|----------------------------|-----------------------|
| GROUP | | |
| At 31 March 2013 | | |
| Other financial liabilities | – | 532 564 276 |
| Trade and other payables | 1 117 677 | – |
| <hr/> | | |
| At 31 March 2012 | | |
| Other financial liabilities | – | 500 610 987 |
| Trade and other payables | 1 729 002 | – |
| <hr/> | | |
| COMPANY | | |
| At 31 March 2013 | | |
| Other financial liabilities | – | 532 469 234 |
| Trade and other payables | 1 095 098 | – |
| <hr/> | | |
| At 31 March 2012 | | |
| Other financial liabilities | – | 500 591 878 |
| Trade and other payables | 1 003 978 | – |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 March 2013

26. RISK MANAGEMENT (continued)

Foreign exchange risk

The Group is able to operate internationally and foreign exchange risk arising from exposure to foreign currencies may arise from time to time. Due to the relatively low value of the foreign denominated asset, compared to the total portfolio at reporting date, foreign exchange risk is considered immaterial. However, the Investment Manager has still considered foreign exchange risk in determining the fair value of the investment.

Credit risk

Credit risk is the risk that a counterparty fails to discharge its obligation to the Group in full. The Group is exposed to this risk primarily due to receivables from financial institutions or investee companies. The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial asset recognised at the reporting date. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The Board considers that all financial assets are of good credit quality. No financial assets are impaired or past due for each of the reporting dates under review.

27. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

28. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any matter or circumstances arising since the end of the financial year.

29. CHANGE IN ACCOUNTING POLICY

In prior years, the Company had classified the preference shareholder's interest in the retained income and reserves of the Company as a separate allocation in the equity section of the Statement of Financial Position. The terms of the preference shares are such that they should be classified as financial liabilities at fair value through profit and loss. The Company has elected to change its accounting policy to effect this reclassification, as it considers that this change provides reliable and more relevant information to users of the financial statements.

Apart from the reclassification below, there were no other changes required to be made to the annual financial statements. As this is the first year consolidated group accounts have been disclosed, no reclassification is required for the Group.

| | COMPANY | |
|--|--------------|-------------|
| | 2012 R | 2011 R |
| Reserves as previously disclosed | 3 039 119 | 86 038 |
| Retained income as previously disclosed | 2 582 201 | 1 226 749 |
| Reserves as disclosed after the reclassification | 30 391 189 | 860 384 |
| Retained income as disclosed after the reclassification | (24 769 869) | 452 403 |
| Difference | - | - |
| Preference shareholders' interest as previously disclosed | 50 591 878 | 11 815 084 |
| Other financial liabilities as previously disclosed after the reclassification | 450 000 000 | 450 000 000 |
| Preference shareholders' interest as disclosed | - | - |
| Other financial liabilities as disclosed after the reclassification | 500 591 878 | 461 815 084 |
| Difference | - | - |

NOTICE OF ANNUAL GENERAL MEETING

RECM AND CALIBRE LIMITED

(Incorporated in the Republic of South Africa)
 (Registration number 2009/012403/06)
 Preference share code: RACP
 ISIN: ZAE000145041
 ("RAC" or "the Company")

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders of RECM and Calibre Limited will be held at Regarding Capital Management (Pty) Ltd, 7th floor Claremont Central, 8 Vineyard Road, Claremont, Cape Town on Wednesday, 28 August 2013 at 11:00 for the purposes of passing, if approved, the following resolutions with or without modification: –

SPECIAL RESOLUTION NUMBER ONE

Approval of directors' remuneration

"RESOLVED THAT independent non-executive directors' fees for services rendered as directors for the financial years 2014 and 2015 be determined as follows:

| | Year ended 31 March 2015 | Year ended 31 March 2014 |
|-------------------------------------|--------------------------------|--------------------------------|
| Directors' fees | | |
| Board member | 121 348 | 114 480 |
| Chairman – Audit and Risk Committee | 60 674 | 57 240 " |

Reason for and effect of this special resolution

Special resolution number one is required in terms of section 66 of the Companies Act, 2008 to authorise the Company to pay remuneration to non-executive directors of the Company in respect of their services as directors. Furthermore, in terms of the JSE Listings Requirements and King III, remuneration payable to non-executive directors should be approved by shareholders in advance or within the previous two years.

In order for this special resolution number one to be adopted, the support of at least 75% (seventy-five per cent) of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

ORDINARY RESOLUTION NUMBER ONE

Approval of annual financial statements

"RESOLVED THAT the audited annual financial statements of the Company for the year ended 31 March 2013 be accepted and approved."

In terms of section 65(7) of the Companies Act, the percentage of voting rights that will be required for this ordinary resolution to be adopted is an amount greater than 50% of the voting rights exercised on the resolution.

The Integrated Report, including annual financial statements, is available at www.racltd.co.za.

ORDINARY RESOLUTION NUMBER TWO

Reappointment of auditors

"RESOLVED TO appoint Ernst & Young Inc. as the Company's auditor, as nominated by the Company's Audit and Risk Committee and to note that the individual registered auditor who will undertake the audit during the financial year ending 31 March 2014 is MR MP Rapson"

In terms of section 65(7) of the Companies Act, the percentage of voting rights that will be required for this ordinary resolution to be adopted is an amount greater than 50% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER THREE

Election of director

"RESOLVED THAT Mr JC van Niekerk be elected as a director of the Company."

A brief CV of the director is set out on page 2.

In terms of section 65(7) of the Companies Act, the percentage of voting rights that will be required for this ordinary resolution to be adopted is an amount greater than 50% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER FOUR

Election of director

"RESOLVED THAT Mr JG Swiegers who retires in terms of article 35.12 of the Company's Memorandum of Incorporation and who has offered himself for re-election, be re-elected as a director of the Company."

A brief CV of the director is set out on page 2.

NOTICE OF ANNUAL GENERAL MEETING

continued

In terms of section 65(7) of the Act, the percentage of voting rights that will be required for this ordinary resolution to be adopted is an amount greater than 50% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER FIVE

Election of Audit and Risk Committee member

“RESOLVED TO elect Mr JG Swiegers as a member of the Audit and Risk Committee.”

In terms of section 65(7) of the Companies Act, the percentage of voting rights that will be required for this ordinary resolution to be adopted is an amount greater than 50% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER SIX

Election of Audit and Risk Committee member

“RESOLVED TO elect Mr MVP Davis as a member of the Audit and Risk Committee.”

In terms of section 65(7) of the Companies Act, the percentage of voting rights that will be required for this ordinary resolution to be adopted is an amount greater than 50% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER SEVEN

Election of Audit and Risk Committee member

“RESOLVED TO elect Mr G Pretorius as a member of the Audit and Risk Committee.”

In terms of section 65(7) of the Companies Act, the percentage of voting rights that will be required for this ordinary resolution to be adopted is an amount greater than 50% of the voting rights exercised on the resolution.

And to transact such other business as may be transacted at an annual general meeting.

VOTING AND PROXIES

Voting

The shareholders of the Company will be entitled to attend the general meeting and to vote on the resolutions set out above. On a show of hands, every RAC ordinary shareholder who is present in person, by proxy or represented at the general meeting shall have one vote (irrespective of the number of shares held in the Company),

and on a poll, every RAC ordinary shareholder shall have for each share held by him/her that proportion of the total votes in the Company which the aggregate amount of the nominal value of that share held by him bears to the aggregate of the nominal value of all the shares issued by the Company.

The voting record date, being the date to be recorded in the register to be eligible to speak and vote at the annual general meeting, is Friday, 23 August 2013.

Electronic participation

Should any shareholder wish to participate in the general meeting by way of electronic participation, that shareholder should make application in writing (including details as to how the shareholder or its representative can be contacted) to so participate to the transfer secretaries at the address below, to be received by the transfer secretaries at least five business days prior to the annual general meeting in order for the transfer secretaries to arrange for the shareholder (and its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Act and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The Company reserves the right to elect not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation.

Proxies

A RAC ordinary shareholder entitled to attend and vote at the annual general meeting may appoint one or more persons as its proxy to attend, speak and vote in its stead. A proxy need not be a shareholder of the Company.

A form of proxy is attached for the convenience of certificated shareholders and “own name” dematerialised shareholders of the Company who are unable to attend the annual general meeting, but who wish to be represented thereat. In order to be valid, duly completed forms of proxy must be received by the Company’s Transfer Secretaries,

NOTICE OF ANNUAL GENERAL MEETING continued

Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2004 (PO Box 4844, Johannesburg, 2001) not later than 11:00 on Monday, 26 August 2013.

Section 63(1) of the Act requires that meeting participants provide satisfactory identification.

Shareholders' rights regarding proxies in terms of section 58 of the Act are as follows:

- (1) At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to –
 - (a) participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder; or
 - (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.
- (2) A proxy appointment –
 - (a) must be in writing, dated and signed by the shareholder; and
 - (b) remains valid for –
 - (i) one year after the date on which it was signed; or
 - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in sub-section (4) (c), or expires earlier as contemplated in sub-section (8) (d).
- (3) Except to the extent that the Memorandum of Incorporation of a company provides otherwise –
 - (a) a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
 - (b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
 - (c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other

person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

- (4) Irrespective of the form of instrument used to appoint a proxy –
 - (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
 - (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
 - (c) if the appointment is revocable, a shareholder may revoke the proxy appointment by –
 - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
 - (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.
- (5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of –
 - (a) the date stated in the revocation instrument, if any; or
 - (b) the date on which the revocation instrument was delivered as required in sub-section (4)(c)(ii).
- (6) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the instrument appointing the proxy otherwise provides.

Any shareholder of the Company who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the general meeting should he/she decide to do so.

Dematerialised shareholders of the Company, other than "own name" dematerialised shareholders of the Company, who have not been contacted by their Participant or broker with regard to how they wish to cast their votes, should contact their Participant or broker and instruct their Participant or broker as to how they wish to cast their votes at the Company's annual general meeting in order for their Participant or broker to vote in accordance with such instructions. If such dematerialised shareholders of the Company wish to attend the Company's annual general meeting in person, they must request their Participant or

NOTICE OF ANNUAL GENERAL MEETING continued

broker to issue the necessary Letter of Representation to them. This must be done in terms of the agreement entered into between such dematerialised shareholders of the Company and the relevant Participant or broker. If your Participant or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

The posting record date, being the date to be recorded in the register to be eligible to receive this notice of annual general meeting is Friday, 21 June 2013.

A shareholder who is entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy so appointed need not be a shareholder of the Company. Proxy forms should be posted so as to reach the registered office of the Company not less than 48 hours prior to the holding of the annual general meeting.

If shareholders have dematerialised their shares with a Participant or broker, other than with "own name" registration, they must arrange with the Participant or broker to provide them with the necessary letter of representation to attend the annual general meeting or the shareholder must instruct them as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the Participant or broker, in the manner and cut-off time stipulated therein.

Registered office:

7th Floor, Claremont Central, 8 Vineyard Road,
Claremont, 7700
(PO Box 45040, Claremont, 7735)

Transfer secretaries:

Link Market Services South Africa (Pty) Ltd,
13th floor, Rennie House, 19 Ameshoff Street,
Braamfontein, 2004
(PO Box 4844, Johannesburg, 2001)

By Order of the Board



G Simpson

Company Secretary

Cape Town

28 June 2013

FORM OF PROXY

RE·CM



RECM and Calibre Limited
 (Incorporated in the Republic of South Africa)
 (Registration number 2009/012403/06)
 Preference share code: RACP • ISIN: ZAE000145041
 ("RAC" or "the company")

For use of ordinary shareholders who are:

1. Registered as such and who have not dematerialised their RAC ordinary shares; or
2. Hold dematerialised RAC ordinary shares in their own name

at the RAC annual general meeting to be held in the Boardroom of Regarding Capital Management (Pty) Ltd, 7th Floor, Claremont Central, 8 Vineyard Road, Claremont, Cape Town on Wednesday, 28 August 2013 at 11:00.

Dematerialised shareholders holding shares other than with "own name" registration, must inform their Participant or broker of their intention to attend the annual general meeting and request their Participant or broker to issue them with the necessary letter of representation to attend the annual general meeting in person and vote or provide their Participant or broker with their voting instructions should they not wish to attend the annual general meeting in person. These shareholders must not use this form of proxy.

I/We (please print name in full)

of (address)

being a shareholder(s) of RAC and holding

ordinary shares hereby appoint (name in block letters)

1. _____ or failing him

2. _____ or failing him

3. the chairman of the annual general meeting as my/our proxy to act for me/us at the annual general meeting which will be held on Wednesday, 28 August 2013 at 11:00. in the boardroom of Regarding Capital Management (Pty) Ltd, 7th Floor, Claremont Central, 8 Vineyard Road, Claremont, Cape Town for the purposes of considering and, if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the company registered in my/our name(s) (see note 2).

| | Number of votes (one per share) | | |
|--|---------------------------------|---------|---------|
| | In favour of | Against | Abstain |
| Special resolution 1 Approval of the independent non-executive directors' remuneration for the 2014 and 2015 financial years | | | |
| Ordinary resolution 1 Approval of the annual financial statements | | | |
| Ordinary resolution 2 To confirm the appointment of the auditors | | | |
| Ordinary resolution 3 To elect as director Mr JC van Niekerk | | | |
| Ordinary resolution 4 To re-elect as director Mr JG Swiegers | | | |
| Ordinary resolution 5 To elect Mr JG Swiegers as member of the Audit and Risk Committee | | | |
| Ordinary resolution 6 To elect Mr MVP Davis as member of the Audit and Risk Committee | | | |
| Ordinary resolution 7 To elect Mr G Pretorius as member of the Audit and Risk Committee | | | |

Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at _____ on _____ 2013

Signature _____

Assisted by (where applicable) _____

Number of shares _____

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the annual general meeting.

Please read the notes on the reverse side hereof.

NOTES TO THE PROXY FORM

1. A shareholder may insert the name or names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the annual general meeting" but any such deletion must be initialled by the shareholder.
2. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or his proxy, or cast them in the same way.
3. Any alteration or correction made to this form must be initialled by the signatory/ies.
4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
5. The completion and lodging of this form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof, should such shareholder wish to do so.
6. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
7. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company.
8. Where there are joint holders of any shares:
 - any one holder may sign this form of proxy;
 - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
9. Forms of proxy must be lodged with or posted to the Company Secretary to be received by 11:00 on Monday, 26 August 2013.

INVITATION TO CHAIRMAN'S MEETING WITH THE SHAREHOLDERS

RE·CM



RECM and Calibre Limited
(Incorporated in the Republic of South Africa)
(Registration number 2009/012403/06)
Preference share code: RACP
ISIN: ZAE000145041
("RAC" or "the Company")

All registered shareholders are cordially invited to attend the Chairman's meeting. The meeting will be held immediately following the formal annual general meeting at the premises of Regarding Capital Management (Pty) Ltd, 7th Floor Claremont Central, 8 Vineyard Road, Claremont.

At the meeting the Chairman will address all shareholders on the investment operations of RAC and will also afford shareholders the opportunity to pose any questions they may have. All shareholders are encouraged to be present.

In order to assist with catering and logistics, shareholders intending to attend the meeting are requested to notify the secretary by completing the attached form. Your assistance is greatly appreciated. The notice may be returned by either of the following means:

1. **Email:** guy.simpson@recm.co.za
2. **Fax:** (021) 674 1021 (Attention: G Simpson)
3. **Mail:** PO Box 45040, Claremont, 7735 (Attention: G Simpson)

A handwritten signature in black ink, appearing to read 'G Simpson'.

G Simpson
Secretary



NOTICE OF INTENTION TO BE PRESENT AT THE CHAIRMAN'S MEETING WITH THE SHAREHOLDERS

I, _____, being an ordinary/preference shareholder of RECM and Calibre Limited intend being present at the meeting to be held in the Boardroom at Regarding Capital Management (Pty) Ltd, 7th Floor Claremont Central, 8 Vineyard Road, Claremont, Cape Town on Wednesday, 28 August 2013 at approximately 11:00.

Signed: _____

Date: _____

Should you wish to receive documents electronically, please insert your email address below:

Email: _____

CORPORATE INFORMATION

RECM AND CALIBRE LIMITED

("RAC" or "the company")

COUNTRY OF INCORPORATION AND DOMICILE

South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Investments as principal activities

COMPANY REGISTRATION NUMBER

2009/012403/06

PREFERENCE SHARE CODE

RACP

ISIN

ZAE000145041

DIRECTORS

MVP Davis

T de Bruyn

G Pretorius

JG Swiegers

JC van Niekerk

PG Viljoen

COMPANY SECRETARY

G Simpson

FINANCIAL STATEMENTS INTERNALLY COMPILED BY

DW Block – Chartered Accountant (S.A.)

REGISTERED OFFICE AND BUSINESS ADDRESS

7th Floor, Claremont Central

8 Vineyard Road

Claremont

Cape Town, 7700

POSTAL ADDRESS

PO Box 45040

Claremont

7735

TELEPHONE NUMBER

(021) 657 3440

EMAIL ADDRESS

info@recm.co.za

WEBSITE

www.racltd.co.za

AUDITORS

BDO South Africa Incorporated

Registered Auditors

The Boulevard Office Park

2nd Floor, Block D

Searle Street

Woodstock, 7925

(PO Box 3883, Cape Town, 8000)

SPONSOR

Deloitte & Touche Sponsor Services (Pty) Ltd

Building 6, The Woodlands

Woodlands Drive

Woodmead

Sandton, 2196

(Private Bag X6, Gallo Manor, 2052)

TRANSFER SECRETARIES

Link Market Services South Africa (Pty) Ltd

13th floor, Rennie House

19 Ameshoff Street

Braamfontein, 2004

(PO Box 4844, Johannesburg, 2001)

BANKERS

The Standard Bank of South Africa Limited

Park Vista Building

Cnr Hendrik Verwoerd & Embankment Street

Centurion

(PO Box 9633, Centurion, 0046)

ATTORNEYS

Edward Nathan Sonnenbergs Inc.

150 West Street

Sandton, 2196

(PO Box 783347, Sandton, 2146)

FINANCIAL SERVICE PROVIDER

Regarding Capital Management (Pty) Ltd

7th Floor, Claremont Central

8 Vineyard Road

Claremont

Cape Town, 7700

(PO Box 45040, Claremont, 7735)

